

Message Text

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PAGE 01 LAGOS 03544 201736Z
ACTION OPIC-06

INFO OCT-01 AF-10 ISO-00 EB-08 /025 W
-----062859 201842Z /72
R 201521Z MAR 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 7304

LIMITED OFFICIAL USE LAGOS 3544

DEPT PASS OPIC

E.O. 11652: N/A
TAGS: BGEN, NI
SUBJECT: FMG POLICY ON MAJOR CONSTRUCTION PROJECTS

REF: STATE 60314

FOLLOWING CABLE FM KADUNA, ACTIONLAGOS RECEIVED ON 1/27/78
REPEATED FOR YOUR ACTION:

QUOTE

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E.O. 11652: N/A
TAGS: BGEN, NI
SUBJECT: FMG POLICY ON MAJOR CONSTRUCTION PROJECTS

1. S. B. DANIYAN CALLED ON PO TODAY TO ENQUIRE GENERALLY ABOUT POSSIBILITY OPIC FINANCING IN CONNECTION WITH WHAT APPEARS TO BE A NEW TWIST IN FMGS EFFORTS TO SOLVE ITS CASH FLOW PROBLEMS.
2. DANIYAN SAID THAT DISCUSSIONS NOW GOING ON IN LAGOS BETWEEN FMG AND JULIUS BERGER AND BUMEZ IN WHICH GOVERNMENT SEEKING SET UP SYSTEM WHEREBY CONTRACTORS FOR MAJOR PROJECTS WOULD (A) RECEIVE NO LIMITED OFFICIAL USE

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MOBILIZATION FEE, (B) INCREMENTAL ANNUAL PAYMENTS FOR TOTAL COST OF PROJECT WITH PAYMENT TIMEFRAME EXCEEDING PROJECT COMPLETION TIME. AS HYPOTHETICAL EXAMPLE DANIYAN SAID A 40 MILLION NAIRA CONTRACT WOULD BE AWARDED TO FIRM WITH PAYMENT IN FIVE ANNUAL INSTALLMENTS OF NAIRA 8 MILLION EVEN THOUGH CONTRACTOR WOULD COMPLETE PROJECT IN THREE YEARS. WHEN APO EXPRESS SCEPTICISM THAT CONTRACTORS COULD OR WOULD ACCEPT SUCH TERMS DANIYAN REPLIED THAT

IT WAS CLEAR ONLY FOREIGN CONTRACTORS WHO ARE ABLE TO OBTAIN GUARANTEES FROM THEIR OWN GOVERNMENT WOULD BE ABLE TO ACCEPT SUCH TERMS. HE FORESEES SITUATION IN WHICH BERGER WOULD LINE UP NECESSARY FINANCING FROM GERMAN BANKS WITH GERMAN GOVERNMENT GUARANTEEING LOANS TO BANKS AND FMG, IN TURN, GUARANTEEING PAYMENT TO FRG.

3. DANIYAN WONDERED WHETHER OPIC MIGHT BE POSSIBLY SOURCE USG GUARANTEES AND/OR FINANCING. I TOLD HIM THAT DISCUSSION OF OPIC AGREEMENT BETWEEN NIGERIAN AND US HAD GONE ON INTERMITTANTLY FOR PAST COUPLE OF YEARS WITH, AS I UNDERSTOOD IT, NIGERIAN OFFICIALDOM NOT TERRIBLY INTERESTED. I ADDED THAT WITHOUT OPIC OR OTHER SIMILAR GUARANTEES I DOUBTED THAT US FIRMS OR BANKS WOULD BE PARTICULARLY INTERESTED IN STRETCHED PAYMENT SCHEME SUCH AS HE HAD OUTLINED. A TOLD DANIYAN, HOWEVER, THAT I WOULD CHECK WITH EMBASSY TO SEE IF OPIC/FMG DISCUSSIONS HAD PROCEEDED FURTHER THAN I WAS AWARE AND ADVISE HIM OF EMBASSY'S RESPONSE.

4. ACTION REQUESTED - WOULD APPRECIATE COMMENTS OF E/C SECTION ON OPIC QUESTION AND ALSO THEIR VIEWS ON REACTION AMERICAN CONSTRUCTION FIRMS AND BANKS TO STRETCHED PAYMENT IDEA.

BURKE

UNQUOTE.

EASUM

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